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SECURITY INFORMATION

29 July 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

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EASTERN EUROPE

2. Bulgarian peasants reportedly resisting government harvest decrees: According to the official Yugoslav news agency, Bulgarian peasants are offering serious resistance to government orders that harvesting and threshing be carried out by the state machine-tractor stations. Peasant cooperatives in several districts have joined private farmers in complaining that the station services are too expensive. Numerous cooperatives have cancelled their agreements with the stations, and many cooperative leaders have been arrested in consequence. (R FBIS Belgrade, 25 July 52)

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Comment: On 18 July, Radio Sofia stated that although thousands of agricultural machines and implements are now in use in Bulgaria, "an important task of the trade union committees on the spot is to guard against 'antimechanization moods' that are being manifested here and there."

3. Large Hungarian Army inductions reported: The US Military Attache in Budapest reports that the large numbers of inductees currently being processed in Budapest appear to be a mixture of university students, reservists and various classes being called up after the completion of the harvest. An estimated minimum of 3,000 were observed on 23 July, and some induction stations were working early in the morning of 24 July, although no action was seen later in the day. (S Budapest L 2917, 24 July 52)

Comment: Large inductions were observed in Budapest during July. The Department of the Army believes that the magnitude of the current inductions, unless counterbalancing releases are made, will necessitate an upward revision of the estimated size of the Hungarian Army, now carried at 185,000.

The possibility of a practice mobilization cannot be excluded. However, a wider spread of age groups would be expected than the three to six year span reported on 23 July.

4. Hungarian opinion favorable to proposed creation of Hungarian autonomous region in Rumania: The general satisfaction prevailing in Hungary over the proposed creation of a Hungarian autonomous region in Rumania indicates to the US Legation in Budapest the continued existence of Hungarian revisionism. The partial recognition of Hungarian claims to Transylvania embodied in articles 18 to 21 of the draft Rumanian constitution is believed by Hungarians to constitute an argument for the return of Transylvania to Hungary "when the Communists are driven out" and a frontier revision occurs. (S Budapest 83, 25 July 52)

Comment: Hungarian press comment on the Rumanian draft constitution has emphasized the rights which the Hungarian minority would enjoy in the proposed autonomous region, although only two fifths of the Hungarians in Rumania will actually be included in that region. The Budapest party organ congratulated the Rumanians for defeating both right opportunism and "the clandestine activities of Rumanian and Hungarian chauvinists," and stressed that socialism and the free

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development of national life go together. However, press comment, as the Budapest Legation has pointed out, significantly has omitted any reference to the contribution which the new constitution would make to the recently concluded economic rapprochement between Rumania and Hungary.

In connection with the special position of minorities, the Hungarian Telegraph Agency announced recently that a training course for national minority teachers of Rumanian, as well as Slovak and Serbo-Croat, was opening in Budapest.

5. Second quarter plan fulfillment announced in Rumania: The Rumanian Government has announced that the economic plan for industry in the second quarter of 1952 was fulfilled by 101.8 percent. Allegedly the over-all output of Rumanian industry was up 21.1 percent and investments have increased 40.6 percent over the same period last year, while labor productivity has increased by 13.4 percent.

All ministries exceeded their goals by small percentages except the Ministry of Petroleum and Coal Industries and the Ministry of Food Industries, both of which also lagged in the first quarter. (C Bucharest 37, 25 July 52; U FBIS Bucharest, 24 July 52)

Comment: Although the increase of gross industrial output is higher than the figure given for the first quarter, it still does not meet the 24.5 percent increase called for in the over-all 1952 plan.

The Ministry of Food Industries fulfilled only 88.9 percent of its plan, an even poorer performance than was indicated by its 92.8 percent of planned fulfillment in the first quarter, and sporadic food shortages are reported in Bucharest. The failure of the petroleum and coal industries to fulfill their plan probably accounts for the decision early this month to increase mechanization and improve worker incentives in the coal industry and the call to increase annual output of coal from four to 20-25 million tons by 1960.

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FAR EAST

6. Major Japanese companies withdraw from participation in Communist front: The representatives of seven major companies have announced their early withdrawal from the Sino-Japanese Trade Promotion Association, according to American Ambassador Murphy. The reason cited for the action was the mounting evidence that the Association is less interested in trade promotion with Communist China than in acting as a front for Communist activities.

A number of major companies, including firms in the Kobe-Osaka area where the pro-China trade movement is the strongest, are beginning to express doubts as to the desirability and feasibility of expanding the China trade. (S Tokyo 855, 25 July 52)

Comment: The Communist-front Sino-Japanese Trade Promotion Association was organized in May 1948 by another front group, the Sino-Japanese Friendship Society. The Association has attempted to capitalize on the strong Japanese desire to restore the once profitable trade with mainland China.

The skepticism exhibited by these Japanese firms is a change. Their action suggests the attitude with which Japanese commerce may be viewing the 30,000,000-pound "trade agreement" signed in Peiping some weeks ago by three unauthorized Japanese representatives.

7. Rhee apparently intends free August elections: Indications are that the 5 August election in South Korea will be held in a relatively free atmosphere as President Rhee has apparently instructed the new Home Minister to take necessary steps against crude forms of electioneering pressure. It is therefore expected that subtle campaign methods, such as candidates identifying themselves with Rhee, will be utilized in the vice presidential election. Yi Pom-sok has already employed this stratagem as posters of Yi and Rhee, identical in format and carrying an endorsement of the Liberal Party, appeared throughout Pusan and Seoul on the morning of 27 July.

President Rhee has still given no indication that he will repudiate Yi, but the President indicated in accepting the nomination that he apparently will not favor any one of the vice presidential candidates. (C Pusan 131, 28 July 52)

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Comment: The large number of vice presidential candidates, nine, will split the votes and favor Yi Pom-sok's election. Yi's power in the Liberal Party and the Taehan Youth Corps also further enhances his chances for victory.

8. Peiping specified as leader of "people of Asia": Radio Free Japan, broadcasting to Japan on 23 July, asserted that peace in the East will be achieved by "the Japanese people and the people of Asia led by Red China. . . ." (R FBIS Peiping, 25 July 52)

Comment: Radio Free Japan, a clandestine station located near Peiping, has consistently hailed China and Mao while ignoring the Soviet Union and Stalin.

This broadcast, although conceding that the "peace loving people" of the world are "led by the Soviet Union," is the most explicit assertion to date of China's status as leader in Asia. It is not yet clear whether Moscow has sanctioned this line.

9. Manufacture of steel helmets in Hong Kong for Chinese Communists reported: The Ta Hua Iron Works in Hong Kong began making 150,000 helmets for the Chinese Communist Army in late June, [REDACTED] [REDACTED]

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Comment: Reports of Chinese Communist purchases of steel helmets in Hong Kong have been received occasionally but have never been confirmed. [REDACTED]

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10. Portuguese Consul comments on border clashes at Macao: The Portuguese Consul in Hong Kong reports that border clashes at Macao on 25 and 26 July, in which several Portuguese-African troops were wounded and an estimated 15 Chinese Communist troops killed, climaxed repeated provocations by the Chinese which had previously caused several less serious incidents.

The Consul believes that these incidents have not been sanctioned by the Communist authorities in Canton, who are said to be sending investigators. The Communists have not exploited the most recent incident, as local Portuguese feared, as a pretext to cut off food supplies from Macao. (C Hong Kong 185, 28 July 52)

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11. Suicides reported among Chinese Nationalist forces on Formosa: There were fifty-one suicides in the Chinese Nationalist Navy during the past six months, according to a report from Formosa. This suicide rate has also occurred in other Nationalist armed services. Most of the suicides were attributed to anxiety over friends and relatives on the mainland. (C ALUSNA Taipei, Joint Weeka 4, 25 July 52)

Comment: The morale of the Chinese Nationalists on Formosa has considerably improved since they began to receive American munitions and supplies. This new information would seem to indicate, however, that serious morale problems still exist there.

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13. Burma to request arms from USSR: The American Embassy in Rangoon has been reliably informed that the Burmese Government, which is seeking to purchase \$2,000,000 worth of arms from the United States, will also request arms from the Soviet Union. (C Rangoon 144, 25 July 52)

14. Burmese military leaders meet in Rangoon: The American Embassy in Rangoon reports that more than 125 senior field commanders were in Rangoon for a week-long conference with Supreme Commander Ne Win. The Embassy believes that the conference was held to reprimand officers whose troops were responsible for recent lapses of discipline, as well as to

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praise them for the work accomplished in the last six months.
(C Rangoon 144, 25 July 52)

Comment: Burmese troops have recently been redeployed and new operations may be planned, particularly in the delta where the Embassy reports large scale actions are already under way to completely defeat the Karen forces in that area.

15. Ba Swe's influence in Burma estimated: Burmese Defense Minister U Ba Swe has such influence on the Burmese Government that both internal and external policies are believed to depend on his views, [redacted] Ba Swe is described as an aggressive nationalist opposed to both colonialism and Stalinism. [redacted] there are indications that Ba Swe will remain loyal to the government as long as it conforms with his creed. [redacted]
[redacted] 25X1C
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Comment: Prior to taking office in March, Ba Swe was widely suspected of pro-Communist sympathies, but has since taken a strong stand against Communists. Many observers still believe, however, that Ba Swe is an opportunist whose ambitions for the premiership make him unreliable.

16. Indonesia-China rubber deal reported: [redacted] the Central Trading Company in Djakarta has concluded an agreement to ship approximately 5,000 tons of crude rubber to Communist China via Macao in August and similar shipments monthly thereafter. Payment is to be made in agricultural products and possibly some US dollars. The Indonesian Vice President, Mohammed Hatta, reportedly controls the Central Trading Company. (S Bangkok 170, 26 July 52)
[redacted] 25X1C

Comment: This deal has been negotiated in spite of Indonesia's promise, reiterated as recently as 3 July, to honor the UN-sponsored embargo on strategic materials to China. Vice President Hatta is not known to have any connection with the Central Trading Company.

17. National Party presses Indonesian Cabinet to open missions in Soviet bloc countries: The Indonesian Cabinet is under strong pressure, particularly from the National Party, to send an ambassador to Communist China and to open missions in other Soviet bloc countries. [redacted] 25X1C

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[REDACTED]

Comment: The National Party, the second largest political organization in Indonesia, has persistently advocated a strict interpretation of Indonesia's "independent" foreign policy, and believes that closer relations should be developed with the Soviet Orbit to balance Indonesia's relations with the West.

The Sukiman government designated an ambassador to China, but the cabinet fell before the ambassador-designate had proceeded to his post.

18. Increasing insecurity in West Java may prompt appeal to Netherlands Military Mission: West Java army and government officials are aware of the increased effectiveness of Darul Islam tactics and organization and may approach the head of the Netherlands Military Mission for advice and active assistance, [REDACTED]

The US Army Attache comments that the Indonesian Government has hesitated to use Netherlands military assistance in tactical operations, fearing Communist accusations of submission to Dutch influence. (C Djakarta, Joint Weeka 4, 25 July 52)

SOUTH ASIA

19. Pakistani press links United States to British intrigues in the Near East: Both Great Britain and the United States were attacked in 14 recent Pakistani newspaper editorials for driving Iran along the road to bankruptcy. The editorials agreed that the recent Hague decisions had vindicated Mossadeq, strengthening his position at home and abroad. Three papers also criticized American partnership in Britain's schemes in Egypt. (C Karachi, Joint Weeka 30, 25 July 52)

Comment: The impression has been growing in Iran and Egypt that the United States is supporting British aims in the Near East. It has not previously been widely voiced in Pakistan. The unanimity of comment in 14 Pakistani newspapers suggests that the editorials were inspired.

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NEAR EAST - AFRICA

20. Senior Syrian army officers reportedly demand civilian government: A group of field grade officers reportedly presented Syria's military dictator, Colonel Shishakli, with an ultimatum on 23 July demanding a return to civilian government and the removal of the ban on political parties, [REDACTED]

[REDACTED]

Comment: There have been recent reports of army dissatisfaction with the Shishakli regime, allegedly over the forced retirement of certain senior officers. There is no evidence, however, that Shishakli has lost control of the situation.

21. Tunisian nationalist asks American assistance to prevent deposition of Bey: A French plan to replace the Bey of Tunis "with a Regency" has been reported by the former Tunisian Minister of Justice, Salah ben Youssef. [REDACTED]

[REDACTED] In order to prevent this development, Ben Youssef is seeking American assistance.

Comment: On two other occasions within the past two months, Ben Youssef has unofficially appealed for American aid to "oust the French from Tunisia." On the second of these occasions, Ben Youssef volunteered the erroneous information that sufficient support was forthcoming to call a special UN General Assembly session.

Inasmuch as the Bey has publicly indicated that his approval of the French program for administrative reorganization will be delayed, the French may resort to pressures similar to their demand at the end of last March for the dismissal of the Chenik cabinet or the abdication of the Bey.

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WESTERN EUROPE

22. East German foreign trade reportedly moves toward "barter" 25X1C
25X1C deals: [redacted] the East
25X1C German Government proposes to conduct its trade with a number
of Latin American countries only in the currency of the countries
involved, and to import goods only when it has accumulated suf-
25X1C ficient currency to pay for them. Such compensatory arrangements
are necessary, [redacted] because of the risks of losses
in "frozen" dollar accounts. 25X1C
25X1C [redacted] "banking difficulties" have
made it almost impossible for the East German Government to 25X1A
demand "foreign currencies" in payment for its exports, and that
trade is consequently becoming "more and more limited to compen-
sation deals." [redacted]

Comment: There is evidence that the East Germans were hard hit by the US Treasury's action in blocking dollar accounts of the Notenbank several months ago. Fear of further losses has perhaps extended the restrictive effect of actual losses and has possibly encouraged a trend toward primitive compensation and barter arrangements. Trade between East Germany and Latin America remains negligible.

23. Bonn requests cheap air service to Berlin: West German authorities, disturbed by the increasing molestation of Berlin-bound travelers, have asked the Allied High Commission to arrange for increased commercial air service to West Berlin at rates which approximate the fare for rail transportation. (C Bonn 357, 26 July 52)

Comment: This request was touched off by the arrest and detention of several West German travelers by East German authorities for no accountable reason. Since these travelers had valid Allied interzonal passes, this action constituted a clear threat to the free access to Berlin by West German citizens.

Soviet authorities have from time to time held up groups of travelers at border check points because of some "new" interpretation of interzonal pass regulations. The latest such incident was on 26 July.

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24. France names terms for reduction of strategic exports to Poland: France, which is determined to maintain trade with Poland partly for political reasons and partly to assure continued access to Polish coal, has stated that it will reduce List I commitments in its trade agreement with Poland 25 percent (\$1,500,000) if COCOM will approve the agreement. (S Paris 596, 26 July 52)

Comment: American officials consider that the proposed Polish exports are of "such marginal importance" to France that the inclusion of any List I items is not justified. Furthermore, France has failed to take advantage of Polish softness on coal prices in recent months and of the rumors of an impending price break in timber and wood products.

25. Soviet Enterprises in Austria seeks export licenses for railroad cars: The Administration of Soviet Enterprises in Austria (USIA) has applied for export permits for \$700,000 worth of List I railroad cars destined for shipment to Bulgaria this week. Although the Austrian Government fears that refusal will result in Soviet retaliation, or shipment of the cars without permits through USIA channels, the American Embassy has asked that no action be taken until after American review. (S Vienna 253, 26 July 52)

Comment: No licenses for List I goods have been issued by the Austrian Government to Soviet Enterprises since the latter part of June. The Austrians strongly favor such licensing, pointing to such considerations as their inability to prevent USIA shipments through Soviet military channels, gains to the Austrian economy through legalized USIA exports, and fears of Soviet propaganda and economic retaliation in the event of refusal to permit such exports. While the Russians gain schilling exchange through such legal transactions, their motives in applying for permits may include a desire to expose Austrian cooperation with Western export controls.

26. Replacement of Minister of Interior may presage move to right by Italian Government: The "temporary" replacement of Minister of the Interior Mario Scelba by Giuseppe Spataro presages a move by the Italian Christian Democratic Party to prepare a right-of-center electoral bloc for the 1953 elections,



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These observers believe that Gedda's Catholic Action and some right-wing Christian Democrats have persuaded Premier de Gasperi to seek an electoral alliance with the monarchists and perhaps even with the neo-Fascist MSI. Since Scelba has rigorously opposed any compromise with either the extreme left or right, his replacement by the reputedly more "flexible" Spataro is considered as a step toward carrying out the conservatives' plan. [REDACTED]

Comment: For several months Gedda and conservative Christian Democrats have exerted increasing pressure on De Gasperi in favor of an alliance with the monarchists and neo-Fascists. So far there is no clear evidence that De Gasperi approves.

It appears unlikely that such a rightist alliance would be strong enough to offset the losses the Christian Democrats would sustain through the almost certain consequent defection of the smaller democratic parties, which heretofore have formed an indispensable part of De Gasperi's electoral bloc.

27.

Swedish Foreign Minister criticized for appointments to UN delegation: Certain Liberal Party newspapers in Sweden have criticized Foreign Minister Unden for not accepting the party's recommendations for its parliamentary representation on the country's UN delegation. Unden by-passed the Liberal Party youth leader, who has at times openly criticized the Foreign Minister's policies, for a Liberal more in sympathy with his own views. Unden is also criticized for dropping the Swedish Ambassador to Washington from the delegation, and for replacing Sweden's permanent delegate to the UN with the Swedish Minister to Mexico, who is considered to be a "yes-man." (R Stockholm, Joint Weeka 30, 26 July 52)

Comment: Unden, an unflinching advocate of Sweden's alliance-free foreign policy, appears to be replacing members who might challenge the wisdom of neutrality and cause a rift in the UN delegation. The Liberals officially adhere to the national policy of no-alliance, but within the party's ranks there are sincere advocates of greater cooperation with the west.

LATIN AMERICA

28.

Tension between Bolivian police and army results in small clashes: The murder of a military aide to President Paz Estenssoro by a drunk police major increased army-police tension and

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resulted in small sporadic clashes on 25 July. A number of policemen and officers were confined by the army. No civilians were involved.

The government has taken measures to ease the tension, and insists that this "personal incident" does not represent conflict within the government. (R La Paz 32 and 36, 25 July 52)

Comment: Since the April revolution, in which the army was defeated by the police and armed civilians, tension between the army and police has remained high.

29. Dominican Government arrests army officers involved in possible conspiratorial plot: The Dominican Secretary of Defense has reported to the US Naval Attache that trouble has broken out within the army officer ranks and that the government has arrested several officers.

The Attache comments that while he does not believe the regime would go so far if this were only a fake plot to warn would-be-deviationists, he cannot picture any dissident group powerful enough to pose a serious threat to the government. He surmises that a few disgruntled medium rank officers may have "overstepped" and that the regime is taking no chances. (S ALUSNA 251415Z, Ciudad Trujillo, 25 July 52)

Comment: This incident may be connected with a recent Dominican press report denouncing a group of thirteen persons for forming "the internal front" of opposition to President Trujillo and for communicating with anti-Trujillo exiles, who allegedly had sent them economic help for their "subversive purposes." Commenting on this report, the US Embassy has stated that while reportedly there had been some conspiratorial activity, the government has kept abreast of developments. The Embassy believes that the denunciation was probably intended as a demonstration to disaffected persons of the government's ability to ferret out conspiracies.

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TO THE CURRENT INTELLIGENCE DIGEST

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EASTERN EUROPE

1. Basis for rapid Yugoslav-Greek-Turkish rapprochement explained: Acting Foreign Minister Mates has told Ambassador Allen that the Yugoslav military delegation, which is scheduled to visit Athens in August, will have full authority to discuss strategic matters. Ambassador Allen comments that there "seems to be no doubt that Yugoslav-Greek-Turkish rapprochement is proceeding rapidly."

American officials in Belgrade believe that the basic cause for this rapprochement is common interest in the face of the Cominform threat to the Balkans. They state that the immediate impetus for Belgrade's interest in closer relations with Athens and Ankara is the deterioration of Yugoslav-Italian relations over Trieste. Moreover, since the Bulgarian frontier is the most urgent cause for Yugoslav concern, the conclusion of an early understanding with Greece and Turkey is of immediate importance. (TS Belgrade 106, 26 July 52)

Comment: To date the Yugoslavs have confined their approaches for staff talks to Athens. Although Greek plans for the defense of Thrace are of primary importance to Belgrade's strategic planning, an effective regional defense plan will require the full participation of Turkey.

The rapid development of the Hungarian army and the presence of Soviet bases make Hungary a threat equal to the one posed by Bulgaria's strong forces.

FAR EAST

2. French Commander seeks support for fall offensive in Indochina: Ambassador Heath in Saigon reports that the

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principal purpose of French Commander in Chief Salan's trip to Paris next week is to persuade officials there to send him transport aircraft and crews necessary for offensive operations outside the Tonkin delta this fall and winter. Letourneau, whose full backing of such a request is needed, is reported not yet convinced of the value of Salan's plan for an offensive.

The American Ambassador, commenting on the apparently increasing inclination of the French Cabinet to conduct only a holding operation in Indochina, believes it imperative that the initiative be wrested from the Viet Minh. He concludes that a military stalemate will in the long run set the stage for ignominious negotiations with the Viet Minh. (TS Saigon 220, 27 July; 221, 27 July 52)



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